



Deputy Directors
MICHAEL D. FORMBY
FRANCIS PAUL KEENO
BRIAN H. SEKIGUCHI
JIRO A. SUMADA

IN REPLY REFER TO:

**STATE OF HAWAII
DEPARTMENT OF TRANSPORTATION
869 PUNCHBOWL STREET
HONOLULU, HAWAII 96813-5097**

Board of Land and
Natural Resources
State of Hawaii
Honolulu, Hawaii

AMENDMENT NO. 2 TO STATE LEASE NO. DOT-A-79-0010
EXTENSION OF ORIGINAL LEASE TERM
RESORT AIR, LLC., HONOLULU INTERNATIONAL AIRPORT OAHU

APPLICANT:

Resort Air, LLC., whose business and mailing address is 1100 Alakea Street, 25th Floor,
Honolulu, Hawaii 96819, as Lessee.

LEGAL REFERENCE:

Chapter 171-36 (b) (3), Hawaii Revised Statutes, as amended.

LOCATION:

South Ramp, Honolulu International Airport, Tax Map Key: (1) 1-1-72: 17 and 19

PREMISES:

Area/Space No. 009-114, containing a land area of approximately 15,895 square feet and
Area/Space No. 009-179, containing a land area of approximately 11,067 square feet, as
delineated on the attached Exhibit A

ZONING:

State: Urban
County: Industrial (I-2)

LAND TITLE STATUS:

Section 5(b) - lands of the Hawaii Admission Act (ceded)

DHHL 30% entitlement lands pursuant to the Hawaii State Constitution: YES__ NO X

CHARACTER OF USE:

Fixed-Base Facilities to maintain and operate a general aviation business.

TERM OF LEASE:

Original - Thirty (30) years. Original Lease commenced on September 1, 1979, and terminates on August 31, 2009.

Amended term – Fifty-five (55) years starting from September 1, 1979 (the commencement date of the Original Lease), and terminates on August 31, 2034

ANNUAL RENTAL:

Original - \$45,565.80 per annum

Amended Rental –

For the Period September 1, 2009 through August 31, 2014 (Lease Years 31 through 35):
\$56,080.96 per annum, payable in quarterly installments of \$14,020.23, in advance, based upon present ground lease rental rate of \$2.08 per square foot per annum for improved/paved general aviation land at Honolulu International Airport

For the Period September 1, 2014 through August 31, 2019 (Lease Years 36 through 40):
\$64,493.10 per annum, payable in quarterly installments of \$16,123.29 in advance, based upon the product of the annual rental for the fifth (35th) year of the lease term (\$56,080.96) and 115%.

For the period September 1, 2024 through August 31, 2029 (Lease Years 46 through 50): An annual rental of 115% times the annual rental for the last year of the immediately preceding five-year period (15th year) of the lease term.

RE-OPENING OF ANNUAL GROUND LEASE RENTAL:

Original – No re-openings remaining

Amended – For the lease periods September 1, 2019 through August 31, 2024 (Lease Years 41 through 45), and September 1, 2029 through August 31, 2034 (Lease Years 51 through 55), the fair market annual ground lease rental shall be determined separately when due at the time of reopening, in accordance with the provisions of Section 171-17, Hawaii Revised Statutes, relating to Appraisals, by an independent real estate appraiser whose services shall be contracted for and paid by the Department of Transportation; provided however, that the land rental for each year shall be no less than a rental of 115% times the annual rental for the last year of the immediately preceding five-year period.

COMMENCEMENT DATE:

September 1, 2009

CHAPTER 343, HRS - ENVIRONMENTAL ASSESSMENT:

Pursuant to Section 11-200-8(a), Environmental Impact Statement Rules of the Department of Health, State of Hawaii, this disposition is exempt from requirements regarding preparation of an environmental assessment, negative declaration, or environmental impact statement as required by Chapter 343, Hawaii Revised Statutes, as amended, relating to Environmental Impact Statements, because the proposed action falls within Exemption Class #1, Comprehensive Exemption List for the State of Hawaii, Department of Transportation dated November 14, 1990, as approved by the Environmental Quality Council. Exemption Class #1 covers operations, repairs, or maintenance of existing structures, facilities, equipment, or topographical features involving negligible or no expansion or change of use beyond that previously existing.

REMARKS:

By way of a Consent to Assignment of Lease dated April 12, 2006, by and between Makena Hawaii, Inc., as "Assignor" and Resort Air, LLC., as "Assignee", the Department of Transportation, Airports Division (DOTA) and Resort Air, LLC., entered into State Lease No. DOT-A-79-0010 dated September 1, 1979, to develop, construct, operate and maintain a fixed base facility at Honolulu International Airport. Under Chapter 171-36 (b) (3), Hawaii Revised Statutes, as amended, Resort Air, LLC., is requesting an extension of 25 years beyond its original lease term to amortize the costs of substantial improvements that it made to the demised premises. The Lessee would qualify for the extension of 25 years provided that it meets the following conditions:

1. The demised premises have been used substantially for the purpose for which they were originally leased;
2. The aggregate of the initial term and any extension granted shall not be more than 55 years;
3. In the event of a rent reopening, the rental for any ensuing period shall be the fair market rental at the time of reopening;
4. Any federal or private lending institution shall be qualified to do business in the State;
5. Proceeds of any mortgage or loan shall be used solely for the operations or improvements on the demised premises;

6. Where improvements are financed by the lessee, the lessee shall submit receipts of expenditures within a time period specified by the Board, otherwise the Lease extension shall be canceled; and
7. The rules of the Board, setting forth any additional terms and conditions, which shall ensure and promote the purposes of the demised lands.

The DOTA, in the public interest, has no objection to the Lessee's request.

RECOMMENDATION:

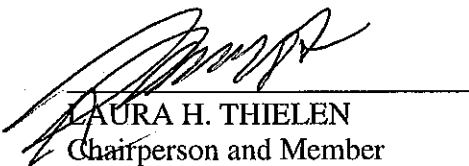
That the Board authorizes the DOTA to amend State Lease No. DOT-A-79-0010 to allow the DOTA to extend the original term of the existing lease for an additional 25 years subject to: (1) terms and conditions herein outlined, which are by reference incorporated herein; (2) such other terms and conditions as may be prescribed by the Director of Transportation to best serve the interests of the State; and (3) review and approval of the Department of the Attorney General as to the amendment of lease form and content.

Respectfully submitted,

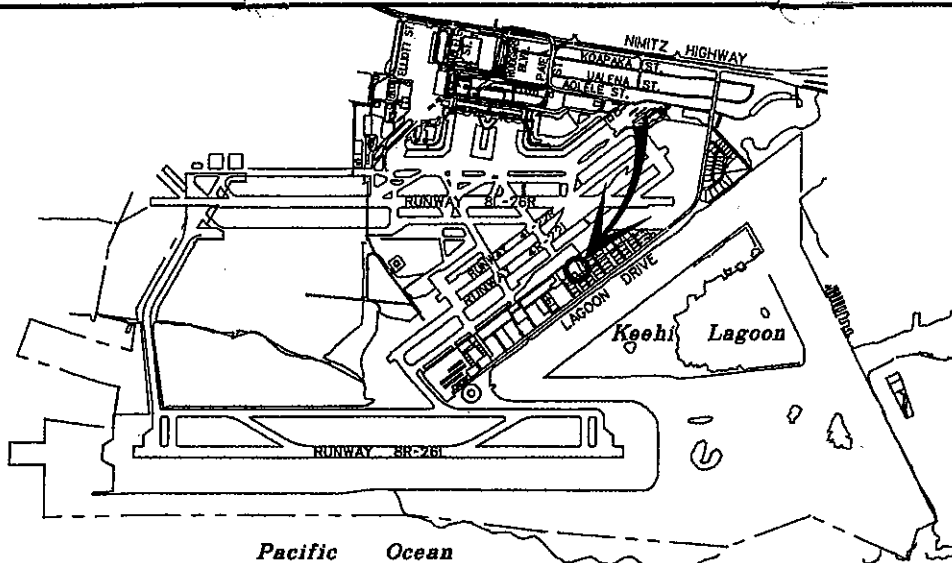


BRENNON T. MORIOKA, Ph.D., P.E.
Director of Transportation

APPROVED FOR SUBMITTAL

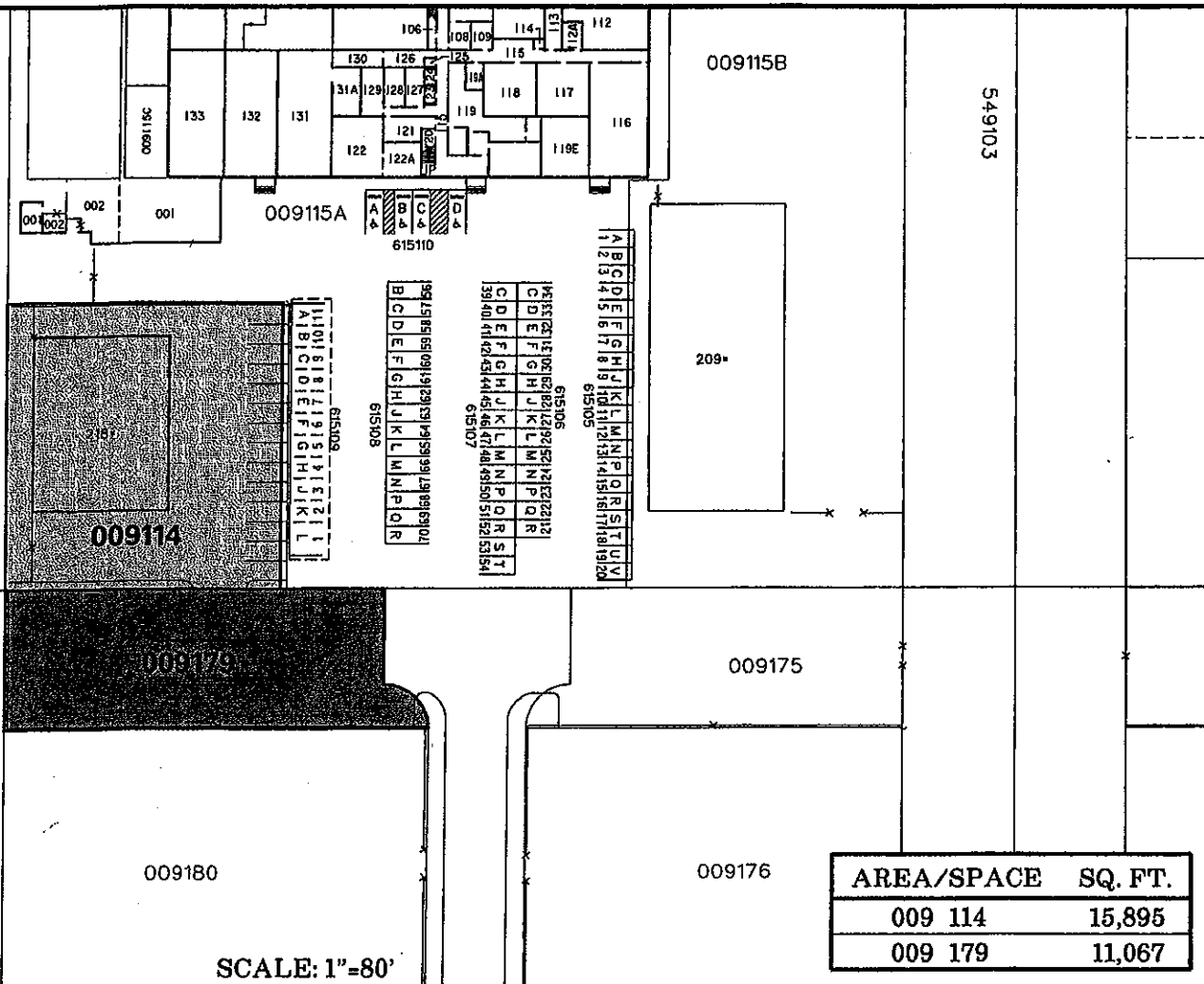


LAURA H. THIELEN
Chairperson and Member



LOCATION PLAN

5000:1



DOT-A-79-0010

DATE: JANUARY 2006

EXHIBIT: **A**



Airports Division

RESORT AIR, LLC.

**LOTS
SOUTH RAMP**

**009114
009179
PLAT 36**

HONOLULU INTERNATIONAL AIRPORT

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hnl projects\pm\ 009114.hnl